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ORGANIZATIONAL AND STAFF STRUCTURE OF UNIDO

Report by the Director-General

Summary

Presents a progress report on the reform of the organizational and staff structure of UNIDO and revised proposals of the Director-General on a new organizational framework for the UNIDO Secretariat. Also provides as background documents for Member States a paper on the restructuring of UNIDO presented to the sixth session of the Special Advisory Group to the Director-General as well as the advice of the Group on the restructuring of UNIDO.

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Introduction

1. In his capacity as chief administrative officer of the Organization and in accordance with relevant decisions and resolutions of the policy-making organs of UNIDO, the Director-General has continued his efforts to improve the effectiveness and efficiency of the Secretariat through structural reform. A number of organizational changes aimed at reducing duplication of functions and enhancing internal coordination were introduced at the beginning of July 1992. A brief description of those organizational changes appears in chapter I of the present document.

2. In its decision GC.4/Dec.22, the General Conference decided to request the Industrial Development Board to pursue the examination of the organizational and staff structure of UNIDO with a view to reaching a decision that could be adopted by the General Conference at its fifth regular session. In keeping with decision GC.4/Dec.22 and in order to facilitate the further examination by Member States of the reform of the organizational and staff structure of UNIDO, the Director-General sought the advice of the Special Advisory Group in its sixth session held from 11 to 13 May 1992. During that session, the Secretariat presented a paper on the restructuring of UNIDO, the text of which appears as annex I to the present document.

3. The members of the Special Advisory Group welcomed the presentation of the paper, which was

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followed by an intensive exchange of views among the members of the Group who made many constructive comments and suggestions. A summary report on the conclusions reached and advice given by the members of the Group appears in annex II to the present document.

4. The Director-General has decided to make the paper on the restructuring of UNIDO as well as the advice given by members of the Special Advisory Group available to the Member States as additional background documents for their ongoing consultations on the matter. In the meantime, he has initiated a series of consultations with Member States and the staff of the Secretariat and has decided to present a revised proposal outlining the basic framework of a new organizational structure for the UNIDO Secretariat. The revised proposal is intended to help advance the process of decision-making on the matter at the tenth session of the Industrial Development Board - a decision that could eventually be adopted by the General Conference at its fifth session. That proposed organizational framework appears in chapter II of the present document.

I. PROGRESS REPORT ON THE REFORM OF THE ORGANIZATIONAL AND STAFF STRUCTURE OF UNIDO

5. In the context of the ongoing reform and revitalization of the UNIDO Secretariat, a number of organizational changes were introduced with effect from 1 July 1992. Issued in the form of a Director-General's bulletin (UNIDO/DG/B.156), those changes aimed at further rationalizing the structure of the Secretariat, streamlining operations and improving internal coordination. The bulletin established clearer terms of reference for the organizational units concerned to minimize, if not eliminate, functional duplication while emphasizing improved programme and project quality, greater teamwork, increased mobilization of financial resources, enhanced technology development and promotion capabilities, strengthened staff development and training function and a more cost-effective electronic data-processing (EDP) support to the Organization's activities.

6. The organizational changes introduced on 1 July 1992 are described in summary form as follows:

(a) The Industrial Technology Development Division and the Industrial Technology Promotion Division, both in the Department for Industrial Promotion, Consultations and Technology, were merged into a single division to enhance their complementarity and promote closer coordination;

(b) The Feasibility Studies Branch, Industrial Operations Support Division, Department of Industrial Operations, was merged with the Industrial Investment Division in the Department for Industrial Promotion, Consultations and Technology to strengthen the capacity of UNIDO to develop, appraise, implement and promote industrial investment programmes and projects;

(c) The Special Measures and Activities Division, Department for Programme and Project Development, was reorganized and given a clearer thematic programme focus. The Division now comprises: the Environment Coordination Unit (with much more clearly defined terms of reference), the Section for Economic Cooperation among Developing Countries, the Unit for the Integration of Women in Industrial Development and the Integrated Programme Support Unit;

(d) The Project Appraisal Section (formerly part of the Special Measures and Activities Division) was given responsibility for the appraisal of both programmes and projects and its terms of reference were redefined to strengthen its key role in improving programme and project design in UNIDO. The section was renamed Programme and Project Appraisal Section and was moved to the Office of the Deputy Director-General (PPD) to enable it to perform its functions more effectively;

(e) The terms of reference of the Industrial Cooperation and Funds Mobilization Division, Department for Programme and Project Development, were revised to strengthen the Division's role in mobilizing resources for the technical cooperation activities of the Organization;

(f) The Management Information Services Division, Department of Administration, was reorganized and its terms of reference redefined to enhance its effectiveness in providing essential EDP support to the Organization's activities;

(g) The Human Resource Planning Unit in the Office of the Deputy Director-General, Department of Administration, was merged with the Language Training Unit in the Personnel Services Division to rationalize and strengthen the career development and staff training functions in the Secretariat.

7. The updated organization chart of the UNIDO Secretariat reflecting the above-mentioned changes is shown in annex III.

II. REVISED PROPOSALS OF THE DIRECTOR-GENERAL ON THE RESTRUCTURING OF THE UNIDO SECRETARIAT

8. The reform of the organizational and staff structure of UNIDO has been under continuous consideration by Member States since the conversion of UNIDO into a specialized agency. Two key political understandings reached that year, known as the "Fleischhauer agreement" (A/39/376) and the "Roethlisberger decision" (IDB.1/Dec.11), laid the basis for the establishment of the present five-department and five-deputy director-general organizational structure. Notwithstanding those political understandings, the Director-General has maintained the view that one deputy director-general was sufficient considering the size and functions of UNIDO.

9. Despite the rigidities and inefficiencies imposed by the present politically-determined structure, the Secretariat and Member States have sought ways to improve the functioning of the Organization. Since 1986, a number of changes have been introduced to rationalize the organizational structure and streamline procedures in the UNIDO Secretariat. Various reports and documents have been prepared in keeping with decisions and resolutions of the policy-making organs, among them the management review of the

organizational and staff structure of UNIDO (IDB.5/9-PBC.5/15), the report of the independent team of experts on the programmes and budgets of UNIDO (PBC.5/16), the report of the Director-General on his overall vision of the appropriate organizational structure of UNIDO (IDB.7/33), and the note of the Director-General presenting a revised UNIDO organization chart based on views expressed by Member States and conclusions reached by the Open-ended Working Group on the Organizational and Staff Structure of UNIDO (GC.4/19-IDB.8/45). The Director-General also sought the advice of the Special Advisory Group on the restructuring of UNIDO during its sixth session held in May 1992.

10. In document PBC.7/12, the Open-ended Working Group on the Organizational and Staff Structure of UNIDO concluded, inter alia, that "UNIDO needs to be restructured if the Organization is to comply with its mandates in an effective manner" and "considering the future activities of UNIDO, the emerging challenges and changing circumstances, previous agreements and decisions may need to be altered with regard to the number of deputy directors-general and the allocation of departments to them [and that] such a decision is for Member States to make at the political level". The Working Group also recognized that "subject to general or specific directives of the General Conference or the Board, the Director-General, as the chief administrative officer of the Organization, has the overall responsibility and authority to direct the work of the Organization and, under the authority and subject to the control of the Board, he is responsible for the appointment, organization and functioning of the staff".

11. At the fourth session of the General Conference, held in November 1991, Member States presented various proposals reflecting the basic considerations agreed upon by the Open-ended Working Group on the Organizational and Staff Structure. The intensive negotiations that took place in the course of the Conference underscored the desire of Member States to reach a decision on the reform of the organizational and staff structure of UNIDO. There was general agreement that reform was essential if UNIDO were to remain relevant in a rapidly changing world. It also became evident that the key political issue requiring resolution was the number of deputy directors-general and the allocation of departments to them. During the informal consultations at the fourth session of the General Conference, Member States indicated their awareness that the continued observance of decision IDB.1/Dec.11 of 15 November 1985 in its present form had become incompatible with UNIDO's present functioning, needs and resources, and was an obstacle to the efficiency of the Organization.

12. Indeed, even at the time decision IDB.1/Dec.11 was adopted by the Board, a number of Member States had expressed serious reservations about the wisdom of taking such a decision. In paragraph 2 of the annex to IDB.1/Dec.11, Member States referred to this decision as "initial", thus indicating the interim or provisional character of the decision. Furthermore, the "Fleischhauer agreement" referring to the understanding reached by the Member States on the conversion of UNIDO into a specialized agency reported that the adoption of a senior staff structure that included several deputy directors-general "must in no way infringe upon the position and the powers of the Director-General" (para. 3, A/39/376). It is therefore essential that Member States take a decision to rescind or modify those initial understandings to eliminate a fundamental flaw in the organizational set-up of UNIDO.

13. In the light of emerging global trends, the changing roles of specialized agencies in the United Nations system, the advice given by the Special Advisory Group on the future role of UNIDO and the basic considerations agreed upon by the Open-ended Working Group on the Organizational and Staff Structure of UNIDO, the restructuring of the Secretariat should endeavour to meet the following objectives:

(a) Achieve organizational simplicity with clearer delineation of responsibilities of the component units;

(b) Strengthen the capacity of UNIDO to develop and manage its country and intercountry programmes;

(c) Concentrate and strengthen the technical expertise of the Organization; and

(d) Enhance the quality of services provided by the Organization through greater teamwork and increased quality consciousness throughout the project cycle.

14. In his original proposal (IDB.7/33), the Director-General proposed a highly decentralized organizational structure which had the following features:

(a) The Organization would have one deputy director-general;

(b) Instead of the current five-department structure, the Organization would have three clusters of functions, one devoted to policy; a second to operations; and a third cluster to administration;

(c) The operational function would deal with industrial policies and perspectives, special programmes (energy and environment), programme development and management, and industrial cooperation and funds mobilization and would have subsectorally-organized specialized and multifunctional units which would implement all the Organization's activities (transfer of technology, investment promotion, technical cooperation and Consultations) in the subsectors within their areas of competence;

(d) The policy function would deal with overall organizational policy matters and contacts outside the Organization, while the administrative units would provide administrative management services to the Organization as a whole.

15. The structure outlined above was initially recommended in view of its simplicity, compactness and cost efficiency. The policy debate on the structure subsequently revealed that many Member States wished to retain a separate organizational identity for the units dealing with Consultations, technology and investment promotion. Further, there was an expressed desire to retain a multidepartmental structure of the Organization, albeit with a reduced number of departments from the present five. During the fourth session of the General Conference, it became apparent that

Member States might accept an organizational structure with three departments, each headed by a deputy director-general.

16. The revised structure proposed below takes account of the views expressed by Member States while adhering to the aims of the restructuring outlined above. The mission of UNIDO covers three basic functional areas: (a) industrial policies and programme development and management; (b) industrial operations; (c) administrative support. This suggests that the Organization should have three departments at the most. Consequently, the following three-department organizational structure is envisaged.

(a) Department of Industrial Policies and Programmes: This department will deal with industrial policy and programme-related work. It will be responsible for developing and managing thematic, interregional, regional or country-level technical cooperation and other programmes of the Organization as a whole; analysing major issues related to industrial development; enhancing international dialogue on issues related to specific industrial subsectors or common topics; and mobilizing financial resources in support of the technical cooperation activities of the Organization.

(b) Department of Industrial Operations: This department will deal with project-level operations (including subsectoral programme development and implementation) and will be responsible for developing, executing and supporting technical cooperation, technology promotion and information as well as investment promotion services. It will assume responsibility for providing technical services to industry in the developing countries at the sectoral (small- and medium-scale industries and private sector development, institutional infrastructure and industrial management) and subsectoral levels (agro-based, chemical, engineering and metallurgical industries); promoting the development and transfer of technology to developing countries; promoting the flow of investment resources to those countries; and providing administrative and operational support to project implementation.

(c) Department of Administration: This department will provide administrative support to the two substantive departments and will be responsible for the provision of support services related to legal matters, managing the staff and financial resources of the Organization, procurement of services and equipment for both technical cooperation projects and Headquarters, managing common services, including the buildings of the Vienna International Centre complex, developing and supporting computerized information systems and languages and documentation services.

17. The restructuring proposal outlined above offers a number of distinct advantages. First, it will help improve organizational performance and enhance efficiency in the Secretariat. Secondly, as the proposal is based on the basic considerations agreed upon by the Open-ended Working Group on the Organizational and Staff Structure, it should facilitate agreement among Member States. Thirdly, the proposal is designed to accommodate the concern of many Member States for equitable geographical representation at the higher levels of the Organization. Fourthly, it will allow the staff and management of the Organization to continue consultations on the optimal distribution of organizational units together with their respective terms of reference within the three-department, three-deputy director-general structure. Fifthly, Member States can continue to consider the future role and long-term reform of UNIDO's organizational and staff structure while taking an interim decision that would enable the Organization to revitalize itself in the short term. Finally, the next Director-General will retain the flexibility to decide on how best to organize the Secretariat within a three-department, three-deputy director-general structure with the benefit of the considered views of the staff and Member States.

III. ACTION REQUIRED OF THE BOARD

18. The Board may wish to consider:

(a) Revoking decision IDB.1/Dec.11;

(b) Recommending to the General Conference the adoption of the following draft decision:

"The General Conference:

"(i) Decides to establish a three-department organizational structure consisting of industrial policies and programmes, industrial operations and administration, along with a senior staff structure composed of a director-general and three deputy directors-general;

"(ii) Requests the Industrial Development Board to continue consideration of the long-term reform of the organizational and staff structure of UNIDO in the context of United Nations system-wide reforms."

Annex I*

RESTRUCTURING OF UNIDO: PAPER PRESENTED TO THE SIXTH SESSION OF THE SPECIAL ADVISORY GROUP TO THE DIRECTOR-GENERAL (11-13 May 1992)

Introduction

1. The reform of the organizational and staff structure of UNIDO has been a matter of continuing interest to the Secretariat and the Member States since the Organization became a specialized agency in 1986. This interest stemmed from the recognition that UNIDO needed to adapt its structure to the changing global scene and the evolving needs of its Member States if it was to remain relevant in its field of endeavour.

2. The present organizational structure of UNIDO (see Annex III) emerged from two political understandings reached by Member States on the conversion of the Organization into a specialized agency. Known as the "Fleischhauer agreement" (A/39/376) and the "Roethlisberger decision" (IDB.1/Dec.11), those understandings laid the basis for the establishment of a structure with five departments, each headed by a deputy director-general. Being the product of a political compromise, that organizational structure created or compounded a number of organizational and management-related problems. Foremost among these was the addition of another layer of management and the consequent lengthening of the lines of communication within the Organization. Another was the inevitable overlapping of functions and duplication of activities resulting from the need to carve five departments out of the previous organizational structure.

3. Since 1986, a number of organizational changes have been introduced to rationalize the structure of the UNIDO Secretariat. Those changes reflected the need to improve constantly the functioning of the Organization and to provide the services needed by its Member States in a more effective and efficient manner. None the less, the political framework in which the reform of the organizational and staff structure had to be carried out necessarily limited the scope of the structural changes that could be introduced in the Secretariat. Reform and rationalization were permissible only within the context of the five-department and five-DDG organizational structure agreed upon in 1985.

4. The Director-General submitted two proposals (IDB.7/33, IDB.8/45) to the policy-making bodies of UNIDO for reforming the organizational and staff structure of the Secretariat. The Member States, however, failed to reach a consensus at the last General Conference of UNIDO (November 1991) on the matter. Instead, they decided to request the Industrial Development Board to pursue the examination of the matter with a view to reaching a decision that could be adopted by the General Conference at its fifth regular session.

5. This paper addresses the issue of the organizational restructuring of UNIDO in the context of the emerging challenges in the world scene and the changing needs of Member States. It aims to elicit the views of the members of the Special Advisory Group on the structural reform process in UNIDO. Specifically, it seeks to engender an exchange of ideas and experience among members of the Group as a means to defining the broad direction of the restructuring process in UNIDO. An essential first step in that process is a review of the overall context in which restructuring and reform will take place.

The changing environment of UNIDO

6. Certain politico-economic trends are clearly emerging in many parts of the world, the most noteworthy of which are the shift towards democratization and a pluralistic society in many developing countries, particularly those in Africa, and the introduction of market economy principles in the countries of Eastern and Central Europe. The evolving nature of international economic relationships will itself be increasingly determined by a host of different factors. These range from the aftermath of political retrenchment and possible changes in military spending, to shifts in the international trading system, the regionalization of markets and changes in the pattern of industrial production - away from energy-intensive and material-based productive processes to increasingly flexible information- or knowledge-based activities with corresponding changes in global productivity. At the same time, new product standards and environmental regulations in the industrialized countries will force changes in manufacturing processes and products in the developing countries. As before, the price of oil and other primary commodities will play a key role, as will the performance of the transitional economies of Central and Eastern Europe together with that of the rapidly growing economies of Asia - both of which will have a resounding effect on the economic fate of the other developing countries.

7. These and other far-reaching changes sweeping through the global political and economic scenes have prompted the United Nations system to reassess its role in world affairs. For some time now, a spirit of reform has become evident throughout the United Nations system. Proposals to strengthen the United Nations system continue to be made as the new Secretary-General puts into effect a series of steps to revitalize the United Nations Secretariat. Similar reform measures, including internal restructuring, are under way or under consideration in a number of specialized agencies to sharpen their technical edge in an increasingly competitive environment. UNIDO is keenly aware of this new environment and has initiated the process of organizational and management reform to maintain and enhance its comparative advantage in the field of industrial development.

Mission and mandate of UNIDO

8. The objectives of the Organization, as defined in Article 1 of its Constitution, are the promotion and acceleration of industrial development in the developing countries and the

* The present annex has not been formally edited.

promotion of industrial development and cooperation on global, regional and national, as well as on sectoral levels. Within that context, UNIDO aims to enhance its technical capability and competence so as to provide the services required by Member States, particularly in the priority areas of the medium-term plan. Over time, UNIDO should transform itself into a leading international institution in the field of industrial development that can offer competitive world-class expertise in specific industry-related fields. In so doing, it should be both versatile and innovative so that it can provide the range of services arising out of the ever-changing needs of Member States. Increased recognition of UNIDO as an institution capable of providing such a range of expertise will also lend financial viability to the Organization as it becomes increasingly able to generate resources to the benefit of the developing countries. UNIDO will therefore be in a better position to play a catalytic role in promoting the industrial development of the developing countries.

The changing role of UNIDO

9. Over the past four years, the demand for the services of UNIDO has increased significantly as reflected in the growth in technical cooperation delivery and project approvals. At the same time, there has been a visible increase in the degree of technological sophistication in technical cooperation projects, a shift that also underscores the need to effect a restructuring of the Organization in a manner that will strengthen its technical thrust. Over the coming decade the Organization will continue to provide the following basic services to Member States:

(a) Policy advice through studies, research and policy fora such as Consultation meetings, as well as through direct advice;

(b) Technical cooperation, involving subsectoral programming, project design, technical backstopping and, where necessary, administrative support, both at the subsectoral level and in terms of strengthening industrial support institutions and industrial support services;

(c) Industrial promotion, involving the promotion of both industrial technology and industrial investment from developed to developing countries and between developing countries; and

(d) Information services, providing information on industrial technologies through such systems as the Industrial and Technological Information Bank (INTIB) and the Technological Information Exchange System (TIES).

10. Given that the demand for these services will vary from region to region, as well as from country to country, it is essential that UNIDO develop not only flexibility and capacity for change, while demonstrating increased efficiency and effectiveness, but also a thorough comprehension of country and regional needs. UNIDO must be, and demonstrably so, an organization capable of meeting the different expectations of its clients.

11. The role of UNIDO as a specialized agency is also evolving in the context of the tripartite system of cooperation. In the framework of the comprehensive triennial policy review of the operational activities for development of the United Nations system, the General Assembly in resolution 44/211 decided that more programmes and projects should be executed nationally. The participation of specialized agencies "in operational activities should be redefined towards, in particular, the provision of technical support to Governments on a multisectoral and sectoral basis, as well as a supportive technical role in the project cycle". This trend was further reinforced by the Governing Council of the United Nations Development Programme (UNDP) in its decision 90/26 on agency support costs, in which sector and project level technical support is considered distinct from administrative and operational support.

12. UNDP, which is a primary source of funding for the activities of UNIDO, as well as being a major actor in the tripartite system of technical cooperation, is redefining the relationships in technical cooperation. This fact is bound to affect the structural evolution of UNIDO. Even if UNDP continues to be the prime source of funding for its operational activities, the Organization will, most likely, play a diminishing role in providing administrative and operational services to technical cooperation projects. Instead, a marked shift is foreseen for UNIDO towards sectoral analysis, policy advice and work at the programme level, in particular in such priority areas of the medium-term plan as environment and energy. For programme and project level work, the policy and technical aspects of the Organization's involvement in operational activities would therefore need to be reinforced.

13. The changes in the tripartite system of cooperation underscore the need for UNIDO to focus closely on the types of services that UNDP and recipient Governments will expect the Organization to provide in the coming years. Given the lead time required to achieve the shift in emphasis in the activities of UNIDO, the process of structural and organizational change must be initiated and implemented to coincide with the time when the demand for the new services begins to emerge. Those services can be divided into three categories: technical support at the programme/sectoral level, technical support at the project level and, if required, operational/administrative services relating to project implementation (see appendix I for an indicative list of those services).

14. A second major source of funding available to UNIDO, the Industrial Development Fund (IDF), is programmed within a looser framework than UNDP resources. The general-purpose convertible pool is programmed on the basis of its availability, and projects are prioritized as and when they are presented for approval. Special-purpose contributions are usually solicited on a project-by-project basis with donor preferences dominating the choice of subsectors or countries to which they are devoted. Moreover, IDF is primarily devoted to technical cooperation and, as such, it usually does not complement other activities funded through the regular budget. There have been recent examples of UNIDO initiating programmes funded through IDF (e.g. a regional programme for the leather industry and the UNIDO environment programme), and these offer examples by which UNIDO could use IDF in a more cost-effective way in the future. Perhaps it is due to the opportunities offered through those approaches that Governments - donors and beneficiaries alike - are encouraging UNIDO to

enhance its capacities to initiate subsectoral or thematic programmes in which they could participate through IDF.

15. The third major source of funding is self-financing or third-party-financed trust funds. This source of funding has grown substantially over the past five years, and its growth is expected to be sustained in the future, owing to the developments mentioned earlier. Furthermore, projects funded through this mechanism can respond closely to the stated needs of developing countries, especially at the enterprise level. While the mechanism is not new to the United Nations system or to UNIDO, increasing use is being made of this mechanism in order to focus on programmatic initiatives. Some examples of special programmes established through trust funds are the International Centre for Genetic Engineering and Biotechnology (ICGEB), programmes supporting the integration of women in industry and the promotion of economic and technical cooperation among developing countries (ECDC/TCDC).

16. With the increasing emphasis placed on the programme approach by UNDP, specialized agencies and Governments alike, the provision of technical support services at the programme or sectoral level will assume greater importance. The challenge for UNIDO lies in strengthening its capability to design and implement integrated sectoral and subsectoral programmes drawing upon a diversity and variety of expertise available in the Organization. This means that all the Organization's functions in support of the industrial development of developing countries - technical cooperation, Consultations, investment and technology promotion - will have to be brought to bear as a package of services on addressing the problems of industry. At present, sector- and subsector-specific skills and expertise are scattered across discrete units throughout the Organization. To the extent that those units pursue their respective programmes of work, the development of integrated sectoral and subsectoral programmes does not always receive the attention it deserves.

17. In sum, UNIDO should take appropriate steps to adjust itself to emerging trends in the tripartite system of cooperation. It should position itself to provide those services that Governments and UNDP will require in the future and de-emphasize those that will be in less demand. If it does not do so, UNIDO will run the risk of being marginalized as a specialized agency in the United Nations system. It is therefore essential that the organizational structure and management systems of UNIDO be rationalized in the light of this reality, and well in advance of the emerging trends, so the Organization keeps abreast of events rather than being forced to react on an ad hoc basis. It was in the context of these concerns that the Director-General drew up his vision of the organizational and staff structure of UNIDO (IDB.7/33, IDB.8/45) and at the same time sought the advice of the Special Advisory Group on a strategic vision for the Organization.

Advice given by the Special Advisory Group to the Director-General on the future of UNIDO

18. In its fifth session held on 6-8 May 1991, the Special Advisory Group took up the paper entitled "Preparing for the Future: A Vision for UNIDO" presented by the Secretariat. The Director-General sought the advice of the Group on the appropriateness and validity of the strategic vision elaborated in the paper. The strategy mix consisted of three elements: normative, policy support and consultancy.

19. The normative strategy emphasizes a central function of the United Nations system: the elaboration of internationally agreed concepts, norms and guidelines as well as the provision of comparative information and analyses in critical areas of cross-country relevance. The policy support strategy aims at providing advisory services primarily to governments in the framework of specific projects and generally on a cost-coverage basis. The consultancy strategy is directed at strengthening the position of UNIDO within the United Nations system as provider of services to industry - public as well as private - on a cost-plus basis.

20. The Group agreed that UNIDO is well positioned to undertake normative work in selected fields of industry. It recommended that UNIDO should concentrate on comparative macro-level analyses and studies rather than micro-level prescriptions, particularly on the underlying assumptions of development assistance for industry, on indicators of industrial development performance, and on information gathering, processing and dissemination. In carrying out its normative role, UNIDO could establish itself as the intellectual lead agency on matters pertaining to industrial development.

21. The Group also noted that the policy support strategy is meeting a strong and rising demand as Governments seek impartial advice on critical issues relating to their industrial restructuring efforts. The link between advisory capabilities and research capabilities was stressed. It welcomed the most recent work of UNIDO on determinants of foreign investment flows to developing countries as a good example of highly relevant policy research.

22. On the consultancy strategy, a common view of the Group was that UNIDO might be well-advised to go commercial without competing head-on with private consulting firms and without giving up its role as an unbiased source of advice to governments. It was considered essential that UNIDO involve, to a significant degree, emerging domestic consultancy firms in developing countries and extend training and support to their further development. Another approach put forward by the Group was for UNIDO to become a consultant to developing countries on how to manage their industrial consultancy requirements. Co-consulting with large international firms in the context of large projects was also recommended by the Group. In this regard, the need for UNIDO to become more focused and to build up hands-on knowledge of industry through training and recruitment efforts was emphasized. Among the areas stressed by the Group were: marketing capabilities; management training; quality control, above all the concept of total quality control; and productivity enhancement. The collection and dissemination of information was also highlighted as a commercial activity with excellent market prospects. The Group recommended the elaboration of a special payment scale that takes account of the varying financial capability of different groups of clients to obviate a possible bias against smaller companies and many LDCs.

Objectives of the restructuring

23. In the light of emerging global trends, the changing roles of specialized agencies in the United Nations system and the advice given by the Special Advisory Group on the three-pronged strategy for UNIDO, the restructuring of the Secretariat should endeavour to meet the following objectives:

(1) Achieve organizational simplicity with clearer delineation of responsibilities of the component units;

(2) Strengthen the capacity of UNIDO to develop and manage its country and intercountry programmes;

(3) Concentrate and strengthen the technical expertise of the Organization; and

(4) Enhance the quality of services provided by the Organization through greater teamwork and increased quality consciousness throughout the project cycle.

The proposed new structure

24. In his original proposal, presented to the Board in October 1990, the Director-General proposed a highly decentralized organizational structure which had the following features:

(i) The Organization would have one Deputy Director-General;

(ii) Instead of the current five-department structure, the Organization would have three clusters of units, one devoted to Policy (four Units); a second with Operations (eleven Units); and a third cluster with Administration (five Units);

(iii) The Operational units were composed of four units which would respectively deal with industrial policies and perspectives, special programmes (energy and environment), programme development and management, and industrial cooperation and funds mobilization. The other seven units would be subsectorally organized specialized and multifunctional units which would implement all the Organization's activities (transfer of technology, investment promotion, technical cooperation and consultations) in the subsectors within their areas of competence;

(iv) The Policy units would deal with overall organizational policy matters and contacts outside the Organization while the Administrative units would provide administrative management services to the Organization as a whole.

25. The structure, outlined above, was initially recommended in view of its simplicity, compactness and cost efficiency. The policy debate on the structure subsequently revealed that many Member States wished to retain a separate organizational identity for the units dealing with Consultations, technology and investment promotion. Further, there was an expressed desire to retain a multidepartmental structure of the Organization, albeit with a reduced number of departments from the present five. During the General Conference, it became apparent that Member States might accept an organizational structure with three departments each headed by a Deputy Director-General.

26. The revised structure proposed below takes account of the views expressed by Member States while adhering to the aims of the restructuring outlined above. The mission of UNIDO covers three basic functional areas: (i) Industrial Policies and Programme Development and Management; (ii) Industrial Operations; and (iii) Administrative Support. This suggests that the Organization should have three departments at the most. Consequently, the following three-department organizational structure is envisaged (see appendix II - proposed organizational chart).

(a) Department of Industrial Policies and Programmes: This department will bring together all units dealing with industrial policy and programme-related work under one organizational location.

The department will consist of five organizational units: thematic programmes, programme development and management, industrial policies and perspectives, System of Consultations and industrial resource mobilization. It will be responsible for developing and managing thematic, interregional, regional or country-level technical cooperation and other programmes of the Organization as a whole; analysing major issues related to industrial development; enhancing international dialogue on issues related to specific industrial subsectors or common topics; and mobilizing financial resources in support of the technical cooperation activities of the Organization.

(b) Department of Industrial Operations: This department will consolidate all units dealing with project-level operations (including subsectoral programme development and implementation) in one organizational location and will be responsible for developing, executing and supporting technical cooperation, technology information and investment promotion services.

The department will consist of the following organizational units: industrial operations technology, industrial institutions and services, industrial technology promotion, industrial investment and industrial operations support. It will assume responsibility for providing technical services to industry in the developing countries at the sectoral (small- and medium-scale industries and private sector development, institutional infrastructure and industrial management) and subsectoral levels (agro-based, chemical, engineering and metallurgical industries); promoting the development and transfer of technology to developing countries; promoting the flow of investment resources to those countries; and providing administrative and operational support to project implementation.

(c) Department of Administration: This department will combine the present Department of Administration and the Department for External Relations, Public Information, Languages and Documentation services. This merger will place all administrative support services in one organizational location.

The department will consist of the following units: personnel services, financial services, general services, management information service,

legal service, external relations, public information and languages and documentation. It will be responsible for the provision of support services related to legal matters, managing the staff and financial resources of the Organization, procurement of services and equipment for both technical cooperation projects and Headquarters, managing common services, including the buildings of the Vienna International Centre complex, and developing and supporting computerized information systems.

27. It should be stressed that as the organizational structure is the means ("how" to do things) by which the Organization responds to the demands for its services, it should not be confused with "what" needs to be done, i.e. the work programme of the Organization and its component elements. The three-pronged strategy of UNIDO endorsed by the Special Advisory Group will be carried out by the relevant units in their respective sphere of competence and according to their own terms of reference. Thus the normative strategy could conceivably be implemented by units in the Department of Industrial Policies and Programmes, e.g. Industrial Policy Studies and Industrial Statistics; the policy support strategy by, for example, Industrial Policies and Perspectives; and the consultancy strategy by the Department of Industrial Operations.

Main features of the proposed structure

28. The shift from the present organizational structure to the proposed three-department structure offers a number of distinct advantages. Firstly, duplication of activities will be kept to a bare minimum by grouping organizational units according to the main function they perform - industrial policies and programmes, industrial operations and administration. Secondly, the key activities of the Organization - studies, technical cooperation, investment promotion, Consultations, technology promotion and information services - are brought together under the responsibility of two, instead of the present three, departments with clearly demarcated responsibilities. Thirdly, the role of the various units in these two departments will be redefined under a new management system for the project cycle to establish clearer lines of authority and responsibility for country programme management and project backstopping.

29. An important feature of the proposed structure relates to the sharpening of the Organization's country focus through this new system of programme and project management. Under the system, the country programme officer will be responsible for the programming of all UNIDO activities in relation to national or regional priorities and all sources of funding available to UNIDO; the country programme officer will also be responsible for project identification and prioritization, managing the project approval process, monitoring project performance and ensuring that this is taken into account in further programme development work. Through the exercise of these responsibilities, the country programme officer is able to provide a coherent programme strategy for UNIDO activities at the country level, while also acting as the lead officer in programme management.

30. As a corollary to this, project design and development will be carried out by the substantive officers (primarily in the Department of Industrial Operations) while project management may, depending on the size and complexity of the project, require either individual efforts by the backstopping officer concerned or a team approach involving the country programme officer and a number of substantive officers. In both the programme development/project design and implementation phases of the project cycle, a team approach will be encouraged whenever feasible.

31. Another feature of the proposed structure is the strong emphasis it places on improving the quality of the Organization's outputs. This is evident in the introduction of a more effective system of programme management at the country level and the application of the team approach to provide a multidisciplinary and integrated package of services to the clients of the Organization. Improved quality of services will also be assured through the consistent application of rigorous standards in the design, appraisal, implementation and evaluation of technical cooperation and investment promotion projects. Another key element in improving the quality of services provided by UNIDO is the adoption of a sound career development policy for the staff, particularly the continuous training of staff at all levels. Yet another factor is the application of an appropriate staff performance appraisal system that rewards merit and penalizes poor performance.

32. In summary, the main thrust of the proposed structure is to keep the Organization in step with changing circumstances and the evolving needs of its Member States. It does so by: (i) consolidating and concentrating its technical and substantive expertise in two distinct departments; (ii) streamlining its work procedures; (iii) modifying its human resource management policies to improve staff motivation; and (iv) placing greater emphasis on the quality of its outputs.

Concluding remarks

33. In reviewing the proposed new structure for UNIDO, the members of the Special Advisory Group should take note of two underlying assumptions behind the proposal. The first consideration is the need to improve overall organizational performance in an increasingly complex and competitive environment. Secondly, due regard needs to be given to the interests of Member States who will have to take a decision on the restructuring proposal. Indeed, the policy-making organs of UNIDO, specifically the Industrial Development Board and the General Conference, will have to decide on any restructuring proposal that involves a modification of the present five-department, five-DDG structure. It is thus evident that in designing a new structure for UNIDO, what is organizationally desirable must be carefully weighed against what is politically feasible.

34. This consideration necessarily limits the scope of any restructuring exercise that can be carried out in UNIDO. The diversity of interests prevalent among Member States is not always easy to reflect in a restructuring proposal designed primarily to enhance operational efficiency and improve organizational performance. Restructuring affects the interests of Member States in an uneven fashion and hence any decision to adopt a new organizational structure may, in the end, be the result of a political compromise. It is in this light that members of the Special Advisory Group are invited to consider and comment upon the proposed new structure for UNIDO.

Appendix I

INDICATIVE LIST OF SERVICES AT THE PROGRAMME/SECTORAL LEVEL

(a) Sector analysis, needs identification, opportunity identification;

(b) Direct advice and support to Governments and UNDP field offices on request;

(c) Development of sector-specific integrated programmes and related studies;

(d) Contributions to country programming;

(e) Country programme/sector reviews;

(f) Sectoral or thematic evaluations.

Technical support at the project level embraces a range of activities in the project cycle. UNDP Governing Council decision 90/26 endorses the notion that a certain minimum standard package of services will be provided by agencies for all projects irrespective of the execution modality. While it is still unclear which of these activities UNIDO will be called upon to provide as part of a standard package of services, they will most likely consist of the following:

(a) Project identification, design and detailed formulation;

(b) Appraisal of project proposals and advice on implementation options;

(c) Preparation of expert job descriptions, identification and appraisal of candidates;

(d) Preparation of equipment specifications or subcontract tender documents, technical appraisal of bids, assistance in negotiations and selection;

(e) Identification and/or organization of training programmes;

(f) Maintenance of rosters of consulting firms, experts, suppliers as well as contacts with such firms, institutions and universities specifically for operational activities;

(g) Technical monitoring through reports and participation in tripartite and other reviews;

(h) Participation in tripartite evaluation (during and after the project);

(i) Additional technical support required for specific projects including technical panels, extra support missions, redesign of technical approach, ad hoc technical information and advice.

The third category of services relates to administrative and operational support for projects. Such support involves the overall management and administration of inputs which are mobilized for projects to be implemented. Among the services that fall under this category are:

(a) Preparation of project documentation including detailed budgets;

(b) Overall planning and management of the project implementation schedules;

(c) Timely initiation of recruitment, subcontracting or equipment purchase actions;

(d) Organization of in-country training activities;

(e) Organization of study tours, issuance of tickets, etc.;

(f) Identification of trainees and their placement within institutions, including language certification, medical examination, and monitoring of study programmes;

(g) Exercising budgetary control and preparation of regular project budget revisions;

(h) Maintenance of all accounts of the project;

(i) Inventory control;

(j) Preparation of contracts for experts and consulting firms, their tickets, payroll and payments;

(k) Administrative management of consultants and experts (removal, insurance, social facilities, missions, leave records, entitlements);

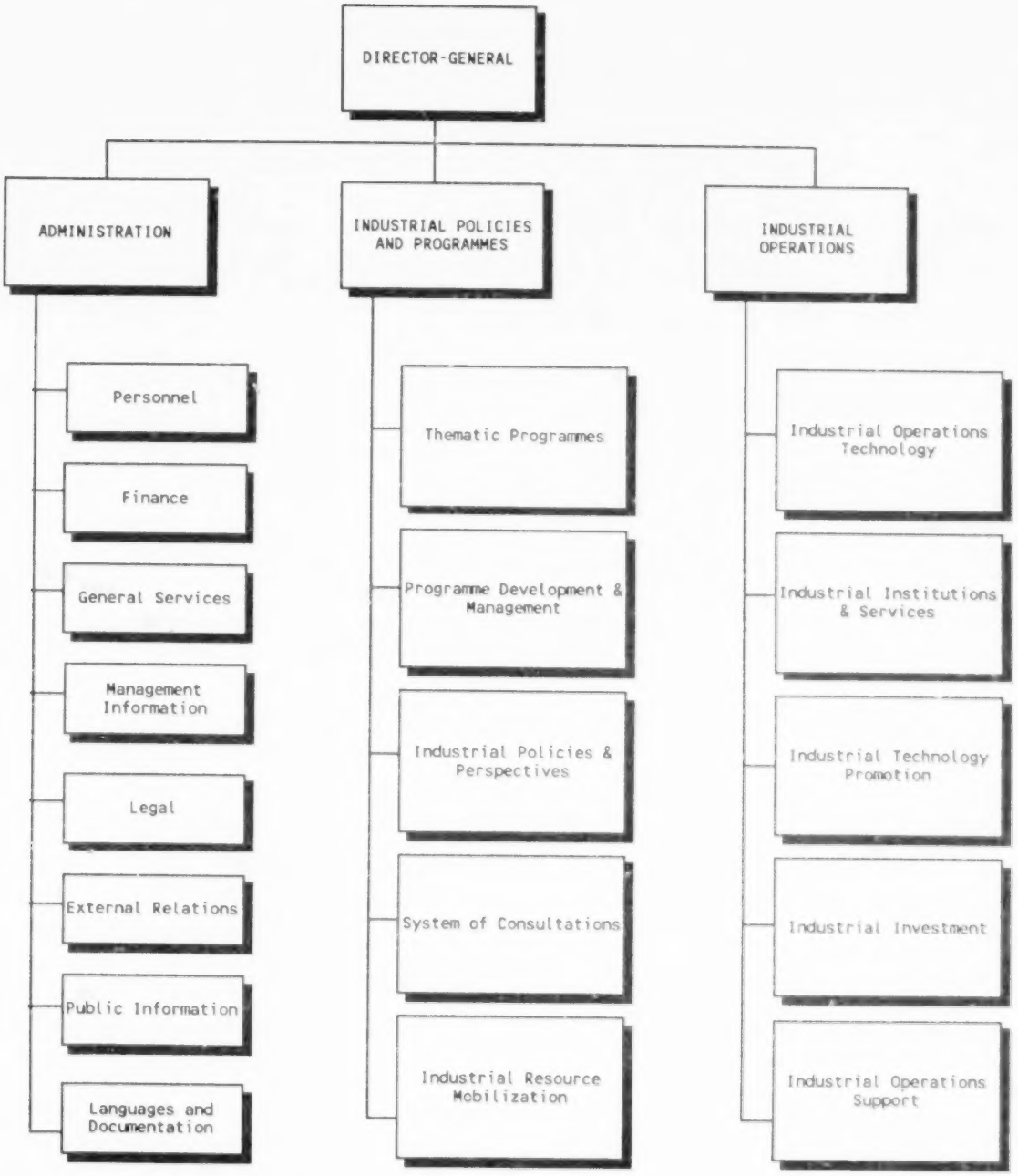
(l) Ordering of equipment, organization of insurance and shipping, customs clearance, payment of related invoices;

(m) Fulfilling all reporting requirements including regular self-evaluation reports, terminal report;

(n) Preparation of documentation for tripartite and other reviews.

Appendix II

PROPOSED THREE-DEPARTMENT STRUCTURE FOR UNIDO



Appendix III

LIST OF RELEVANT RESOLUTIONS/DECISIONS AND DOCUMENTS
ON THE ORGANIZATIONAL AND STAFF STRUCTURE OF UNIDO

IDB.5/9-PBC.5/15	Management review of the organizational and staff structure of UNIDO
IDB.5/9/Add.1- PBC.5/15/Add.1	Management review of the organizational and staff structure of UNIDO. Comments by the Director-General
IDB.5/Dec.21	Organizational and staff structure of UNIDO
GC.3/33	Organizational and staff structure of UNIDO. Report by the Director-General
GC.3/Res.20	Organizational and staff structure
IDB.7/33	Organizational and staff structure of UNIDO. Report of the Director-General
IDB.7/Dec.23	Organizational and staff structure
IDB.8/45-GC.4/19	Organizational and staff structure of UNIDO. Report of the Director-General
GC.4/CRP.12	Organizational and staff structure of UNIDO. Interim report of the President of the eighth session of the Industrial Development Board
GC.4/Dec.22	Organizational and staff structure

Annex II*

ADVICE GIVEN BY THE SPECIAL ADVISORY GROUP TO THE DIRECTOR-GENERAL ON THE RESTRUCTURING OF UNIDO

1. The advice given by the Special Advisory Group to the Director-General as contained in the report of its sixth session is presented in the paragraphs below.

2. The Group appreciated the excellent quality of the Secretariat's presentation and unanimously expressed the opinion that the present organizational structure of UNIDO was indeed suffering from serious shortcomings calling for a far-reaching restructuring. The proposed new structure was considered as a significant improvement over the present one and received general support. Specifically, the strong emphasis on country-level programming and country-level management was seen as a move in the right direction. Most of its work being at the country level, UNIDO should create a "one-stop-service" from which its clients could easily obtain all relevant information - be it on project development, operational projects, or economic studies - pertaining to individual countries. It was essential, therefore, that the responsible country managers be selected from "top-notch" professionals.

3. Special attention was paid by the Group to the issue of the most desirable relationship between Headquarters services and field representation. It was generally felt that UNIDO's field presence required strengthening and that the UNIDO Country Directors should be highly qualified staff with excellent knowledge about the full range of UNIDO services and the various procedures to be followed.

4. An intense discussion developed over one Member's proposal to drastically reduce the number of Headquarters staff, locate some staff in various subregions and concentrate the vast majority of staff at the country level. That proposal foresaw only a small central budget confined to supporting Headquarters administration while the various country offices - composed of teams of engineers and economists responsible for programme and project development as well as project implementation - were to be operated as self-financing profit centres in which the profits generated would be used to finance project development activities.

5. Several members of the Group felt, however, that there was a continued need to maintain a critical mass of professional expertise at Headquarters with a view to carrying out essential functions such as:

- To develop, coordinate, supervise and evaluate projects;

- To undertake comparative analyses of relevant trends in industrial financing, management, trade, technology, etc.;

- To provide policy advisory services based on such comparative analyses; and

- To coordinate the raising and allocation of donor funding.

6. The concentration of those activities was required in view of the significant synergy effects that could be generated. For instance, industrial studies were often instrumental in identifying and initiating projects, which made it essential that the resulting analytical, regional and country information be disseminated to the Organization's technical staff.

7. In another intervention it was stressed that not the absolute numbers of Headquarters and field staff were decisive but rather the establishment of close links between them. That in turn required frequent travel of Headquarters staff to the field to keep them in close contact with the clients of the Organization. Consequently, it was a wrong approach to curtail travel budgets in times of financial austerity. The Director-General, agreeing with that view, pointed out that most of the staff were indeed frequently travelling in the context of programming missions, tripartite review meetings and individual project-related missions. He also drew attention to the fact that at any given time between one and two thousand UNIDO experts were working in the field, thus contributing significantly to UNIDO's field representation. At the same time, it was becoming increasingly difficult to finance field posts (UNIDO Country Directors) from UNDP. UNIDO itself, however, was not in a position, for example, to establish regional offices, as that would reduce Headquarters staff below the critical mass needed in certain highly specialized substantive areas.

8. The Group stressed that in the forthcoming restructuring exercise the number and placement of "boxes" in the organizational chart was of secondary importance. More important was the elaboration of a clearly defined UNIDO profile based on: (i) major development objectives; (ii) the Organization's comparative advantage and strengths; and (iii) operational performance indicators. Such indicators would need to be both output-related and process-related. The former referred to measuring the impact of UNIDO services and projects on overall development dimensions such as employment, investment, exports, per capita income, technology and human resource development. The latter would above all relate to the streamlining of bureaucratic procedures; the reduction of the Organization's response time to project requests; the closeness to various groups of customers; and the facilitation and inducement of interdepartmental cooperation and teamwork in general.

9. The Group was astonished to note the numerous limitations that the Director-General was facing in his actual power to take strategic management decisions. The Director-General explained the binding political nature of the present

* The present annex has not been formally edited.

five-department structure and the necessity of obtaining a two-thirds majority from the Organization's constituency for any changes in that structure. Moreover, he pointed out the enormous difficulties in obtaining Member States' support for any restructuring which had implications for the number and distribution of top management posts and the relative weight attached to different programmes. While the Group appreciated his difficult position, it urged the Director-General to take a bold initiative within a zero-base approach. He was asked to elaborate an optimal new structure from a pure efficiency point of view - however radical the implications may be - and subsequently seek to get as close as possible to its actual realization. In doing so, he should use the "manoeuvering capacity" as an "outgoing" Director-General and leave behind a more efficient UNIDO better equipped to meet future challenges.

10. Whatever the new structure finally adopted, it was critically important for the Organization to have highly qualified and motivated staff. That was seen by the Group to require fresh initiatives to modify the staff promotion and career development system within a strategic programme, rather than by merely introducing selective additional incentives. It was a necessity to turn away from the present hierarchy-oriented, "empire-building" approach towards rewarding qualifications and merit.

Annex III

UPDATED ORGANIZATION CHART OF THE UNIDO SECRETARIAT